Department of State

EXCISE TELEGRAM

SECRET 287

PAGE 01 TRIPOLI 01187 01 OF 02 301225Z

50
ACTION AF-05

INFO OCT-01 SS-20 E-02 H-01 INR-06 L-02 PRS-01 NSC-10
NSCE-00 CIAE-00 NSAE-00 RSR-01 RSC-01 NEA-08 EUR-12
/070 W

048562

R 301024Z MAY 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 6359
INFO AMEMBASSY BENGHAZI
AMEMBASSY BONN
AMEMBASSY LONDON

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY cj DATE 8/7/81
PORTIONS DENIED AS INDICATED

S E C R E T SECTION 1 OF 2 TRIPOLI 1187/1

LIMDIS

SUBJ: POSTED PRICE NEGOTIATIONS

1. MINISTRY PETROLEUM AND MINERALS UNDERSEC QIBLAAWI IN LENGTHLY CONVERSATION WITH EMBOFF MAY 28 PRESENTED HIS ANALYSIS OF PRESENT IMPASSE IN PRICE NEGOTIATIONS AND DESCRIBED METHOD HE THOUGHT COULD GET TALKS MOVING AGAIN AND ACHIEVE SOLUTION. QIBLAAWI INITIATED DISCUSSION OF PRICE ISSUE, AND BEGAN BY NOTING HE HAD MET MAY 27 WITH ACTING PRIMIN JALLUUD TO DISCUSS PRICE PROBLEM. PERHAPS TO UNDERSCORE FACT HE HAD TALKED WITH JALLUUD, QIBLAAWI REFERRED SPECIFICALLY TO ASSURANCES ON OIL JALLUUD GAVE AMBASSADOR MAY 15.

2. QIBLAAWI RECALLED WARNINGS GIVEN EMBOFF AND COMPANIES IN LATE MARCH THAT PRICE DEAL HAD TO BE STRUCK URGENTLY OR MINISTRY PETROLEUM WOULD LOSE AUTHORITY TO CONCLUDE AGREEMENT (TRIPOLI 618). THIS WARNING HAD NOT BEEN HEEDED AND NEW PRICE COMMITTEE CHAIRED BY MAGHRABI WAS RESULT. ESSO OFFER MADE APRIL 11 WAS TOO LATE, SINCE RCC BY THEN HAD WITHDRAWN MINISTRY'S AUTHORITY. (QIBLAAWI UNDERSCORED THIS POINT BY ADDING THAT HE HAD NOT ATTENDED APRIL 11 MEETING BETWEEN ESSO AND MINPET KNOWING IT WAS FUTILE. AT THAT TIME, ESSO INTERPRETED QIBLAAWI'S ABSENCE AS ENCOURAGING EVIDENCE OF CONFIDENTIAL AND SERIOUS NATURE OF TALKS). QIBLAAWI CONTINUED THAT MAGHRABI HAS OBTAINED RCC AUTHORIZATION FOR DEMANDS HE HAS MADE, AL-

THOUGH RCC NOW RESERVES TO ITSELF AUTHORITY TO CONCLUDE AGREEMENT. MAGHRABI REALIZES COMPANIES CANNOT MEET HIS DEMANDS, BUT, SINCE NEGOTIATIONS WERE REMOVED FROM JURISDICTION OF MINISTRY, RCC HAS HEARD ONLY MAGHRABI'S INTERPRETATION OF NEGOTIATIONS AND NOW IS SATISFIED POSTED PRICE IN $3.00 RANGE IS JUSTIFIABLE.

3. EMBOFF OBSERVED QIBLAAWI'S ANALYSIS LEADS TO CONCLUSION THAT EITHER MAGHRABI'S OBJECTIVE WAS SOMETHING OTHER THAN POSTED PRICE INCREASE, OR MAGHRABI, JUDGING FROM PRESENT IMPASSE, HAD CHOSEN NEGOTIATING POSITION WHICH WAS TOO EXTREME TO BE EFFECTIVE AND HAD STAYED WITH IT TOO LONG. QIBLAAWI REPLIED THAT FIRST CASE WAS APPLICABLE. [redacted] B1. QIBLAAWI EXPLAINED THAT PRESENT TENSE SITUATION IN MIDDLE EAST, FOCUS OF ARAB ATTENTION ON PROSPECTIVE SALE OF ADDITIONAL AIRCRAFT TO ISRAEL BY USG, AND PREOCCUPATION OF RCC WITH QADHAAFI'S INITIATIVE ON PALESTINE CREATES WORST POSSIBLE ATMOSPHERE IN WHICH TO NEGOTIATE PRICE ISSUE. [redacted] B1

4. QIBLAAWI AGREED WITH EMBOFF HIS ANALYSIS LEAD TO DISMAL CONCLUSION. [redacted] B1. QIBLAAWI DID NOT INDICATE OFFER SHOULD BE MADE IMMEDIATELY TO BE EFFECTIVE, AS HE DID IN APRIL, BUT OBSERVED THAT TENSIONS AND PROBLEMS BETWEEN COMPANIES AND LARG ARE INCREASING AND THAT IF MIDDLE EAST UPSET OCCURRED BEFORE PRICE ISSUE RESOLVED, DRASTIC ACTION AGAINST COMPANIES WOULD BE FOREGONE CONCLUSION.

5. IN FURTHER DESCRIBING TERMS FOR PRICE AGREEMENT QIBLAAWI INSISTED RCC WOULD NOT PERMIT PACKAGE SETTLEMENT IN WHICH LARG WOULD GIVE

DECLASSIFIED

SECRET

PAGE 03 TRIPOL 01187 01 OF 02 301225Z

SATISFACTION ON OTHER ISSUES TO INDUSTRY IN GENERAL OR TO INDIVIDUAL COMPANIES. QIBLAAWI SAID ESSO'S INSISTENCE ON REVISION OF REGULATION 8 AND ASSURANCES OF RESPECT FOR ITS LNG EXPORT AGREEMENT, AS QUID PRO QUO FOR PRICE INCREASE, WAS SECOND FLAW IN ESSO OFFER. HE ASSERTED MINISTRY WOULD HAVE BEEN WILLING TO NEGOTIATE PACKAGE SETTLEMENT OF OIL INDUSTRY PROBLEMS, BUT RCC IS NOT. ADDITIONALLY, QIBLAAWI SAID BCC HAD ACCEPTED MAGHRABI FORMULATION OF LIBYAN PRICE DEMAND AS "CORRECTION" OF POSTING RATHER THAN INCREASE. THEREFORE, RETROACTIVITY WOULD BE ESSENTIAL IN ANY SETTLEMENT. HE NOTED THERE WERE LEGAL ARGUMENTS AGAINST APPLYING RETROACTIVITY BEYOND 1965, BUT THAT 1965 WOULD BE MINIMUM RETROACTIVITY ACCEPTABLE TO RCC.

Department of State

TELEGRAM

SECRET 2ØØ

PAGE Ø1 TRIPOL Ø1187 Ø2 OF Ø2 3Ø1235Z

5Ø
ACTION AF-Ø5

INFO OCT-Ø1 SS-2Ø E-Ø2 H-Ø1 INR-Ø6 L-Ø2 PRS-Ø1 NSC-1Ø
NSCE-ØØ CIAE-ØØ NSAE-ØØ RSR-Ø1 RSC-Ø1 NEA-Ø8 EUR-12
/Ø7Ø W

048595

R 3Ø1Ø24Z MAY 7Ø
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 6360
INFO AMEMBASSY BENGHAZI
AMEMBASSY BONN
AMEMBASSY LONDON

S E C R E T SECTION 2 OF 2 TRIPOLI 1187/2

LIMDIS

6. COMMENT: WE INTERPRET PRICE SETTLEMENT SUGGESTED BY QIBLAAWI AS MINIMUM HE WOULD SUPPORT BEFORE RCC, AS INCREASE OF 15-2Ø CENTS RETROACTIVE TO 1965. THIS PROBABLY IS NEAR OUTER LIMIT OF WHAT COMPANIES WOULD BEAR. BUT WITHOUT QUID PRO QUO FROM LARG, WHICH QIBLAAWI EXCLUDES, SETTLEMENT, EVEN AT THIS FIGURE, PROBABLY IS NOT POSSIBLE. YET TO BE ADDED TO THIS OVERBURDENED FORMULA, IS QIBLAAWI'S FIRM STATEMENT (NOT REPORTED ABOVE) THAT MINISTRY INTENDS TO RESTRICT TOTAL PRODUCTION TO ABOUT AUGUST 1969 LEVEL (3 MILLION B/D) AS CONSERVATION MEASURE.

7. ALTHOUGH QIBLAAWI'S FORMULA DOES NOT BRIDGE GAP BETWEEN COMPANIES' POSSIBILITIES AND LARG'S DEMANDS, WE ARE INCLINED TO ACCEPT IT AS INDICATIVE OF MINISTRY'S BEST THINKING. QIBLAAWI HAS NOT MISLEAD EMBASSY OR COMPANIES IN PAST, AND HIS FORECASTS OF EVENTS HE COULD NOT CONTROL HAVE BEEN ACCURATE. CONCERN HE EXPRESSED FOR EFFECT ON LIBYA OF BREAKDOWN IN GOVERNMENT-COMPANY RELATIONS SEEMED GENUINE. [redacted] B1

8. PERHAPS MOST SIGNIFICANT INFERENCE TO BE DRAWN FROM QIBLAAWI'S ANALYSIS IS THAT PRICE NEGOTIATIONS ARE COLORED BY MIDDLE EAST POLITICS IN FACT, [redacted] B1

SECRET

[redacted] WHAT IS NOW TAKING PLACE IS NOT ECONOMIC NEGOTIATION BUT POLITICAL CONFRONTATION. IF THIS IS TRUE, SETTLEMENT ON ANY REASONABLE TERMS IS NOT POSSIBLE UNLESS OIL TALKS CAN AGAIN BE CHANNELED INTO ECONOMIC CONTEXT. WE NOTE THAT GIBLAAWI, WHO IS A CREDITABLE NATIONALIST, REPEATEDLY ASSURED EMBOFF AT TIME TALKS BEGAN THAT POLITICS WERE NOT A CONSIDERATION IN NEGOTIATIONS. MAGHRABI HAS OFFERED NO SUCH ASSURANCES, AND IN NEGOTIATING SESSIONS HAS RAILED AGAINST IMPERIALISM, OIL MONOPOLIES, TEXAS COWBOYS AND SUPPORTERS OF ZIONISM.

9. IT IS POSSIBLE, OF COURSE, THAT GIBLAAWI'S STATEMENTS COULD BE PLOY TO ELICIT FROM COMPANIES OFFER LARG HAS FAILED TO RECEIVE FROM MAGHRABI NEGOTIATIONS. LARG THEN COULD USE OFFER AS BASE FROM WHICH TO STRIVE FOR EVEN HIGHER SETTLEMENT. HOWEVER, WE DO NOT BELIEVE THIS TO BE THE CASE. MINISTRY INDICATED FROM OUTSET OF NEGOTIATIONS, IN ASIDES TO COMPANIES, THAT ITS ORIGINAL 44 CENT DEMAND WAS NEGOTIABLE AND MOVED FAIRLY QUICKLY TO HALVE THIS FIGURE. MINISTRY'S ASSERTION IT WAS UNDER PRESSURE FROM RCC TO ACHIEVE SETTLEMENT HAS BEEN SUBSTANTIATED BY DEVELOPMENTS. THEREFORE, TIME MAY BE APPROACHING WHEN MAGHRABI WILL JUDGE RCC WOULD BE RECEPTIVE TO SUGGESTION THAT COMPANIES' "INTRANSIGENCE" JUSTIFIES DRAMATIC ACTION. GIBLAAWI, HOWEVER, DID INDICATE MAGHRABI MAY BE REQUIRED TO HOLD ONE MORE ROUND OF TALKS WITH COMPANIES. GIBLAAWI SAID JALLUUD HAD TOLD HIM HE HAD REQUESTED MAGHRABI TO MEET AGAIN WITH COMPANIES. HOWEVER, HE DID NOT INDICATE THAT JALLUUD EXPECTED TO ATTEND SESSIONS, AS LATTER TOLD AMBASSADOR HE WOULD.

10. EMBASSY'S FURTHER COMMENTS WILL FOLLOW.
PALMER